

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

01 AUG 17 2001
EXECUTIVE SECRETARY

IN RE: PETITION OF MCI WORLDCOMMUNICATIONS, INC.)
TO ENFORCE INTERCONNECTION) DOCKET NO. 99-00662
AGREEMENT WITH BELL SOUTH)
TELECOMMUNICATIONS, INC.)

**MOTION FOR SANCTIONS AGAINST
BELL SOUTH TELECOMMUNICATIONS, INC.
FOR FAILURE TO COMPLY WITH TRA ORDER**

MCImetro Access Transmission Services, Inc. ("MCImetro") requests that the Tennessee Regulatory Authority ("TRA") impose sanctions against BellSouth Telecommunications, Inc. ("BellSouth") for the knowing and intentional violation of a TRA Order. In support of this motion, MCImetro submits the following documents: (a) the July 12, 2001 Order of the Authority directing BellSouth "to make all payments due to MCImetro . . . as ordered in the Hearing Officer's Initial Order issued on June 15, 2001"; and (b) the affidavit of Dan Aronson, director of carrier billing services for MCI WorldCom, stating that, although MCImetro is owed \$10.2 million, the company has received only \$2.9 million from BellSouth.

The affidavit also describes a series of acts, including the unilateral changing of bills, withholding of information, and refusing to follow contract procedures for resolving billing disputes, which appear to reflect a pattern of anti-competitive conduct. As the TRA noted in the July 12 Order, BellSouth "has demonstrated a failure to make [reciprocal compensation] payments as directed in the Authority's Orders." Based on that history and on similar conduct

by BellSouth toward other carriers,¹ MCImetro believes that BellSouth is wrongfully withholding reciprocal compensation payments from competitive carriers for the purpose of pressuring those carriers into settling for less than the full amount owed. BellSouth's refusal to comply with the July 12, 2001 Order of the TRA is apparently the most recent manifestation of the company's larger strategy.

Based on the facts set forth in Mr. Aronson's affidavit, MCImetro requests that the Authority:

- (1) Order BellSouth to pay immediately the full \$10.2 million owed to MCImetro;²
- (2) fine BellSouth \$1,000 (*see* T.C.A. § 65-3-105) for each day BellSouth fails to comply with the July 12, 2001 Order;
- (3) take such other action (*see* T.C.A. § 65-3-105) as may be necessary to enforce the July 12, 2001 Order;
- (4) order BellSouth to reimburse MCImetro for the costs, including legal fees, of bringing this motion; and,

¹ In regard to US LEC, for example, although BellSouth's own records indicate that less than half the traffic BellSouth sends to US LEC is terminated to ISPs, BellSouth withholds as much as eighty to ninety percent (80% to 90%) of invoiced amounts without any explanation for its actions.

² MCI WorldCom has agreed to post a bond for that amount in the United States District Court. Should it later be determined that BellSouth owes less than \$10.2 million, the bond insures that BellSouth will be repaid.

- (5) provide MCImetro with such other relief as it is entitled to receive.

Respectfully submitted,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: _____



Henry Walker
414 Union Street, Suite 1600
P.O. Box 198062
Nashville, Tennessee 37219
(615) 252-2363

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was mailed to Guy Hicks, BellSouth Telecommunications, 333 Commerce Street, Suite 2101, Nashville, Tennessee 37201 on this the 17th day of August, 2001.

Henry Walker



AFFIDAVIT OF DAN ARONSON

Background and Business Responsibilities

1. My name is Dan Aronson. I am the Director of Carrier Billing Services for WorldCom. My business address is 500 Clinton Center Drive, Clinton, Mississippi, 39056.

2. As Director of Carrier Billing Services, my department is responsible for preparing and sending out all connectivity billings for terminating switched services in over 100 markets in the 35 states in which WorldCom's local entities operate local switches. The WorldCom local entities that I am responsible for billing are WorldCom Technologies (formerly MFS), Brooks Fiber Communications and MCImetro Access Transmission Services (MCImetro). The billings prepared by my department are for both usage billings and billings for facilities leased from the WorldCom local entities. The usage billings involve both originating and terminating switched access services and reciprocal compensation billings for terminating local calls.

3. The usage billings prepared by my department are for all of the local exchange carriers with which the WorldCom local entities have an interconnection agreement. These entities are primarily the incumbent local exchange carriers, such as Verizon, SBC Communications, Qwest and BellSouth. My department also is responsible for billing switched access services to AT&T and the other IXC's. In addition to billing, my department is the point of contact for questions about these billings. In the BellSouth region, the WorldCom local entities operate in Florida, Georgia, North Carolina, Mississippi and Tennessee. In Tennessee, my department is responsible for usage billings for the Memphis market, where MCImetro operates a local switch and in the Knoxville market, where Brooks Fiber operates a local switch.

Payments made by BellSouth pursuant to the TRA's July 12 Order Directing Payment

4. On July 2, 2001, WorldCom filed its Withdrawal of Petition for Review and Request for Enforcement of Final Order. At that time, I was asked to prepare a pro forma schedule from MCImetro's records which disclosed the amounts due with local minutes of use rerated throughout the history of the account at the \$.004 per minute of use (mou) end office reciprocal compensation rate to conform to the Hearing Officer's decision. This account history showed the amounts due at the lower rates and credited BellSouth with the payments applied by WorldCom. This account history also showed the (1) the date of and invoice number of the connectivity bill; (2) the usage broken out by local and toll usage terminated by BellSouth's customers to MCImetro's customers; (3) the amount due for reciprocal compensation at the \$.004 rate (4) a calculation of the finance charges on the outstanding balances at a 1% per month, simple interest and, adjustments appearing on the invoices. The total amount due to MCImetro was \$10.2 million. Attached to this Affidavit as Exhibit 1 is a copy of the account history and schedule of amounts due.

5. As I understand, this schedule was made available to BellSouth on Tuesday, July 10, 2001 by WorldCom's local counsel. On that same day, the TRA ordered that BellSouth make payment to MCImetro the amounts due for reciprocal compensation by July 13, 2001. On July 16, 2001, BellSouth sent a letter to WorldCom which indicated that they had found "significant discrepancies" with the account history and schedule that was provided. As a result, BellSouth indicated that they were unilaterally adjusting the account history schedule and remitting an initial payment of \$2,223,231 and a second payment of \$700,000. Thus, on the total amount due of \$10.2 million, BellSouth made payment of approximately \$2.9 million in response to the TRA's order directing payment. Attached to this Affidavit as Exhibit 2 is a copy of the July 16, 2001 letter from BellSouth.

The "Adjusted" Amount Paid By BellSouth

6. This action by BellSouth to make unilateral adjustments to invoiced usage billings and withhold payment based on those adjustments is typical of the pattern and practice I have observed throughout the period that I have been responsible for connectivity billings to BellSouth. The "significant discrepancies" alleged by BellSouth as the basis for their continued withholding of reciprocal compensation amounts due fall into three categories;

- (a) BellSouth unilaterally calculated a retroactive credit to re-rate local usage billings for the period from April 4, 2000 though July, 2001 at the end office reciprocal compensation rate recently filed by BellSouth. This resulted in BellSouth's decision to withhold approximately \$2.6 million of the \$10.2 million due;
- (b) BellSouth unilaterally excluded approximately 166 million mou of local usage from the account history and schedule based on their assertion that MCImetro had billed BellSouth for more local terminating local usage than BellSouth switches show were originated. This resulted in BellSouth's decision to withhold approximately \$1 million of the \$10.2 million due;
- (c) BellSouth unilaterally re-rated the usage billings shown on the account history and schedule to apply a Percent Local Usage (PLU) factor developed by BellSouth, in lieu of the terminating switch recordings and actual measurements utilized by WorldCom to separate usage billings between local usage at reciprocal compensation rates and toll usage at terminating switched access rates. This resulted in BellSouth's decision to withhold approximately \$3.5 million of the \$10.2 million due.

As I explained in our July 20, 2001 response to BellSouth, none of these "adjustments" were warranted by the interconnection contract between BellSouth and MCImetro and we expected full payment. I will discuss each one of these issues separately.

Retroactive Credit

7. This unilateral "adjustment" by BellSouth is in violation of the terms of the interconnection agreement between MCImetro and BellSouth and is indicative of the cavalier treatment by BellSouth of its interconnection contract obligations. The provisions of the present interconnection agreement at Part A. Section 3 provides for the "Term of the Agreement". This section states that the term of the agreement shall be three years from the date of its execution (April 4, 1997) and that the parties will begin negotiations on a new interconnection agreement no later than 180 days from the end of the three year term. This provision further recognizes that the parties may not be able to reach a new agreement within those 180 days and that the obligations of the parties will continue under this 1997 agreement until a new agreement is executed. The Section further provides that the rates, terms and conditions of any new agreement will be effective retroactive to the day following the expiration date of this Agreement (or April 5, 2000). Until the new agreement becomes effective, however, the rates, terms and conditions of the old 1997 agreement are to remain in effect. Thus, under Section 3 of Part A of the interconnection agreement, at the time the new contract is entered into and the results of the TRA-ordered UNE rates in Docket No. 97-01262 are incorporated into the pricing schedule of the new contract, both BellSouth and MCImetro will be required to issue retroactive credits on accounts to reflect the lower UNE and reciprocal compensation rates.

8. In their decision to withhold approximately \$2.6 million of the \$10.2 million due, BellSouth unilaterally determines that it will accelerate the timing of these Section 3 retroactive credits for lower reciprocal compensation rates in violation of the clear terms of Section 3. As BellSouth is well aware, there has been no new agreement executed between MCImetro and BellSouth in Tennessee. In fact, the rates, terms and conditions to be included in this new agreement are presently the subject of an arbitration proceeding before the TRA, with an arbitration decision scheduled to be made by the Authority later this fall.

9. These provisions for retroactive credits back to the date of the expiration of the present contract are contained in all of the present interconnection contracts between WorldCom's local entities and BellSouth in Florida, Georgia, North Carolina, Mississippi and Tennessee. WorldCom expects a timely reconciliation of accounts with BellSouth to reflect credits going both ways in each state at the time new contracts are entered into.

Usage Adjustment

10. This is another example of BellSouth taking unilateral actions to withhold payment of reciprocal compensation in violation of the interconnection contract provisions. The interconnection agreement between BellSouth and MCImetro at Attachment IV, Section 7.1 very clearly provides that,

"Each party shall calculate terminating interconnection minutes of use based on standard Automatic Message Accounting (AMA) recordings made within each party's network. These recordings being necessary for each party to generate bills to the other party."

11. Notwithstanding this very clear provision that connectivity billings were to be generated by the terminating party based on the usage recordings made at the terminating party's switch, BellSouth began unilaterally withholding payment on MCImetro connectivity billings in January, 2000 and indicated in their cover letter simply that, "We are paying usage based on BellSouth's [the originating party] recordings". Thereafter, on each MCImetro connectivity bill, BellSouth began unilaterally "adjusting" the terminating usage presented on the WorldCom invoices to reflect the usage that was alleged to be indicated by the BellSouth originating recordings.

12. After some conversations between BellSouth staff and my staff in which we were told that they were "paying the invoices in accordance with directives issued by management", I requested of BellSouth's Operations Director, Mr. Richard McIntire, on April 14, 2000, that BellSouth provide the BellSouth usage "measurements that challenge the measurements made by our systems." I reminded Mr. McIntire that the terms of the contract called for the terminating party to bill the originating party based on the terminating call records, based on standard AMA recordings and that that was the procedure followed by WorldCom. I asked Mr. McIntire for specific originating usage data from BellSouth switch recordings so that we could compare BellSouth's measurements with WorldCom's measurements in order to isolate and resolve any instances where there were variations in usage measurements.

13. Neither Mr. McIntire nor his staff has ever responded to this request by providing the data necessary to perform the reconciliation of alleged usage variations in Tennessee. However, WorldCom has twice provided detail records of its terminating usage in a format requested by BellSouth addressing claimed usage variances in the states of Florida, Georgia and North Carolina. In the first instance addressing only Florida, a summary of usage billed on May 10, 2000 displaying the end office at which the traffic originated and the NPA -NXX of WorldCom where the traffic terminated was provided. BellSouth provided similar summary data for the same month. The variance between the two measures was less than 1%. BellSouth did not seek to continue to reconcile this immaterial variance. In a second series of data exchanges in December 2000 for traffic in the states of Georgia and North Carolina, WorldCom submitted data for a mutually agreed time period to BellSouth. The information provided by BellSouth was incomplete for Georgia so comparison could not be made. The information provided for North Carolina showed certain variances. Upon inquiry by my staff, BellSouth could provide no information on the end office of the point of origination and confirmed that they had no means by which to include traffic that may have been terminated to numbers that WorldCom may have ported from other carriers. Additional data exchange processes were discussed but BellSouth delivered no additional data.

14. I have continued to press Mr. McIntire for the past 15 months to provide the BellSouth data to support the statement made in each monthly payment letter from BellSouth that stated "OVERBILLED ACCORDING TO BELLSOUTH'S MOUS." To date, BellSouth has not provided WorldCom with the data needed to isolate and resolve the alleged variance between the terminating usage measured via AMA recordings on WorldCom's local switch and BellSouth's unsupported originating usage data.

15. In addition to the violation of the interconnection contract provisions that provide for terminating usage billings to be based on the terminating party's switch recordings, BellSouth has also not attempted to utilize the dispute resolution procedures in the interconnection contract. The "Bill Reconciliation" procedures, which are contained in Section 3.1.18 the Connectivity Billing Section of Attachment VIII, very clearly spell out procedures for resolution of disputes concerning connectivity billings. Section 3.1.18.4 provides a process for dispute resolution and escalation of disputes through various management levels. Rather than go through this process, BellSouth has chosen to simply withhold payment of reciprocal compensation on the basis of a notation of "OVERBILLED ACCORDING TO BELLSOUTH'S MOUS". Irrespective of BellSouth's failure to provide sufficiently detailed data to support their allegations of overbilled usage, they have failed to indicate to us any evidence that they have found significant problems in the data that we have provided to them. WorldCom has provided clear support for its invoiced usage and charges.

16. In contrast with other ILECs with whom my department routinely deals, where disputes are raised and resolved the pattern exhibited by BellSouth indicates that it has no desire to resolve disputes but simply makes insufficient payments "in accordance with directives issued by management".

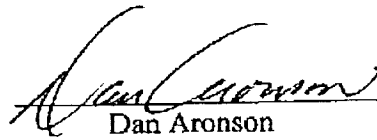
PLU Factor

17. Similar to BellSouth's withholding of invoiced reciprocal compensation payments based on their unilateral adjustment of usage, BellSouth has also withheld payment of approximately \$3.5 million of the \$10.2 million due on the basis of their unilateral application of their Percent Local Usage (PLU) factor.

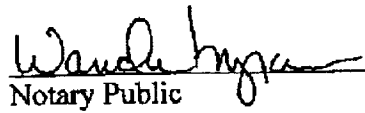
18. As discussed above, the interconnection agreement clearly calls for the billing party to utilize the call detail records on the terminating switch. Furthermore, Attachment IV, Section 3.2 requires the parties to provide the necessary signaling information, including the calling party telephone number, so that the terminating party can properly "jurisdictionalize" the traffic as local or toll for billing purposes. Finally, Article VIII, Section 3 provides that where the actual charge information, such as the calling party number is not available for billing purposes, the parties will develop a process, such as a PLU factor, to apply to that traffic.

19. As I have discussed with BellSouth, there is no requirement in the interconnection agreement that requires WorldCom to utilize a PLU factor, developed by BellSouth on a quarterly basis, to render connectivity bills for either the Memphis or Knoxville markets. WorldCom's billing system is able to capture from the terminating call detail the originating and terminating telephone number information embedded in the AMA records on an individual call basis and perform a direct jurisdictionalization of the traffic as local or toll traffic. This is done by comparing the originating and terminating NPA- NXX to a reference table constructed from BellSouth's General Subscriber Services tariff for the Memphis and Knoxville market. This table defines calls as local or toll based on the to/from rate centers and the NPA-NXXs associated with those rate centers. As a result, WorldCom's billing systems are able to accurately rate calls and apply reciprocal compensation rates to local calls and terminating switched access rates to toll calls on a call by call basis. This is much more accurate than the PLU factor, or assumed percentage, developed by BellSouth on a quarterly basis from its originating call records.

20. Again, as with the issue of BellSouth's withholding of invoiced reciprocal compensation payments due based on its unilateral adjustment of usage, my department has been discussing this issue with BellSouth since we took over the billing responsibilities for MCImetro in Tennessee. With the data that we provided to BellSouth in response to their withholdings based on "overbilled" usage, they had every opportunity to review the jurisdictionalization of traffic performed by the WorldCom billing system and raise any issues that they had thru the Dispute Resolution procedures in the contract. To date, they have not done so.


Dan Aronson

Sworn to and subscribed before me
this 17th day of August, 2001.


Notary Public

My Commission expires:

Notary Public State of Mississippi At Large
My Commission Expires: July 16, 2003
Bonded Thru Holden, Brooks & Garland, Inc.

MCI METRO ACCESS TRANSMISSION SERVICES TENNESSEE / BELL SOUTH COMMUNICATIONS - ADJUSTED RECIPROCAL COMPENSATION TRANSACTIONS AS OF 07/06/01

Inv Date	Adjustments	Finance Chg	Usage Chg	Payments	Balance	Months Outstanding	INTRASTATE USAGE	INTRASTATE REV	LOCAL USAGE	LOCAL REV	LOCAL BILLED RATE	ADJUSTED LOCAL RATE	ADJUSTED LOCAL REVENUE	ADJUSTMENT DUE	BALANCE W/O FINANCE CHG @ 1%/MO	RECOMPUTED @ 1%/MO	ADJUSTED BALANCE
04/01/1997			5.14	(1.21)	3.93	52		2.41	144.00	2.74	0.0190	0.0040	-		3.93	2.04	5.97
05/01/1997			17.03	(8.51)	8.52	51	157	1,030.36	473	8.99	0.0190	0.0040	-		8.52	4.35	12.87
06/01/1997			1,030.36	(617.43)	412.93	50	20,195	3,601.58	211,000	1,288.08	0.0040	0.0040	-		412.93	206.47	619.40
07/01/1997			4,445.59	(2,010.87)	2,434.72	49	70,456	5,537.55	324,520	1,944.08	0.0040	0.0040	-		2,434.72	1,193.01	3,627.73
08/01/1997			6,835.62	(3,092.78)	3,742.84	47	108,555	16,698.89	861,366	3,445.46	0.0040	0.0040	-		3,742.84	1,759.13	5,501.97
09/01/1997			18,144.53	(8,234.00)	9,910.53	46	287,366	46,618.62	914,004	1,948.01	0.0020	0.0020	-		9,910.53	4,563.44	14,473.97
10/01/1997			18,566.65	(9,282.64)	9,284.01	45	324,794	56,168.62	974,004	1,599.91	0.0020	0.0020	-		9,284.01	4,177.80	13,461.81
11/01/1997			26,637.72	(9,077.02)	17,560.70	44	480,007	77,955.07	1,270,066	2,340.13	0.0020	0.0020	-		17,560.70	7,726.71	25,287.41
12/01/1997			(9,077.02)	(12,104.15)	24,181.17	43	423,611	21,671.57	6,942.04	6,942.04	0.0020	0.0020	-		12,107.61	5,206.27	17,313.88
01/01/1998			66,164.21	(33,080.03)	33,084.18	42	1,157,491	59,222.08	3,471,020	6,673.64	0.0020	0.0020	-		33,084.18	13,895.56	46,979.54
02/01/1998			63,602.05	(63,602.05)	8.88	41	1,113,012	56,937.21	3,356,819	9,929.13	0.0041	0.0041	-		8.88	3.64	12.52
03/01/1998			50,872.93	(50,868.99)	4.34	40	800,212	46,943.73	2,399,643	6,278.49	0.0041	0.0041	-		4.34	1.74	6.08
04/01/1998			59,814.07	(59,802.59)	11.48	39	909,592	46,536.62	2,726,459	13,287.37	0.0049	0.0049	-		11.48	-	-
05/01/1998			31,027.89	(24,444.76)	6,583.13	38	200,740	10,227.86	4,154,321	20,770.00	0.0050	0.0050	-		6,583.13	3,353.97	923.56
06/01/1998			56,270.58	(36,378.00)	19,892.58	37	365,447	18,600.17	7,534,074	31,670.37	0.0050	0.0050	-		19,892.58	12,338.51	4,572.65
07/01/1998			58,205.90	(56,205.90)	2,000.00	36	363,531	20,688.56	7,526,341	37,611.71	0.0050	0.0050	-		2,000.00	-	-
08/01/1998			57,286.00	(51,761.02)	5,524.98	35	231,025	14,111.87	8,634,822	43,174.11	0.0050	0.0050	-		5,524.98	-	-
09/01/1998			72,382.37	(65,405.53)	6,976.84	34	291,661	17,826.64	10,911,143	54,555.72	0.0050	0.0050	-		6,976.84	-	-
10/01/1998			83,265.24	(75,237.83)	8,027.41	33	335,626	20,509.05	12,551,237	62,756.19	0.0050	0.0050	-		8,027.41	-	-
11/01/1998			78,717.21	(68,439.85)	10,277.36	32	317,278	19,388.05	11,865,839	59,329.15	0.0050	0.0050	-		10,277.36	-	-
12/01/1998	(4,652.00)		85,269.10	(75,808.23)	9,460.87	31	244,169	14,904.84	14,072,852	70,364.26	0.0050	0.0050	-		9,460.87	-	-
01/01/1999			84,968.40	(75,678.67)	9,289.73	30	244,184	14,850.61	14,072,560	70,117.80	0.0050	0.0050	-		9,289.73	-	-
02/01/1999			160,439.33	(51,323.30)	109,116.03	29	1,157,374	70,807.62	17,818,065	84,189.57	0.0050	0.0050	-		109,116.03	-	-
03/01/1999			122,704.33	(9,966.03)	112,738.30	28	865,407	52,945.58	13,951,750	69,756.75	0.0050	0.0050	-		112,738.30	-	-
04/01/1999			144,027.01	(9,568.18)	134,458.83	27	1,006,473	61,576.70	16,409,062	82,450.31	0.0050	0.0050	-		134,458.83	-	-
05/01/1999	134,066.48		117,718.53	(7,524.02)	248,030.99	26	801,471	49,024.42	13,746,820	68,684.11	0.0050	0.0050	-		248,030.99	-	-
06/01/1999	82,441.38		166,728.35	(12,599.45)	227,980.34	25	1,191,069	72,992.04	18,741,260	92,736.31	0.0050	0.0050	-		227,980.34	-	-
07/01/1999	82,441.38		151,642.83	(19,046.48)	215,036.73	24	1,102,528	67,453.26	16,831,914	84,189.57	0.0050	0.0050	-		215,036.73	-	-
08/01/1999	53,803.19		164,730.70	(16,451.25)	202,102.64	23	1,236,342	75,640.26	17,818,065	84,189.57	0.0050	0.0050	-		202,102.64	-	-
09/01/1999	53,803.19		158,277.55	(14,997.05)	149,045.05	22	1,178,342	72,640.26	17,818,065	84,189.57	0.0050	0.0050	-		149,045.05	-	-
10/01/1999	1,055.26		186,992.36	(8,982.57)	178,009.79	21	1,023,313	63,157.41	17,266,989	73,834.95	0.0050	0.0050	-		178,009.79	-	-
11/01/1999			181,110.37	(5,746.98)	175,363.39	20	1,350,902	82,646.90	19,692,694	98,463.47	0.0050	0.0050	-		175,363.39	-	-
12/01/1999			286,446.34	(9,168.92)	277,277.42	19	2,062,194	126,146.97	32,059,875	160,299.37	0.0050	0.0050	-		277,277.42	-	-
01/02/2000			336,879.94	(10,569.98)	326,310.05	18	2,465,808	150,840.10	37,207,969	186,039.84	0.0050	0.0050	-		326,310.05	-	-
02/02/2000			427,227.13	(16,806.58)	410,420.55	17	3,058,495	187,103.03	48,024,416	240,172.10	0.0050	0.0050	-		410,420.55	-	-
03/02/2000			466,336.99	(18,790.25)	447,546.74	16	3,359,322	205,513.23	52,204,750	261,023.76	0.0050	0.0050	-		447,546.74	-	-
04/02/2000			495,889.21	(19,596.04)	476,293.17	15	3,574,814	218,696.37	55,438,566	277,192.84	0.0050	0.0050	-		476,293.17	-	-
05/02/2000			457,054.21	(4,484.63)	452,569.58	14	3,221,882	197,107.06	51,989,431	259,947.15	0.0050	0.0050	-		452,569.58	-	-
06/02/2000			473,147.15	(4,871.54)	468,275.61	13	3,278,521	200,575.99	54,514,231	272,571.16	0.0050	0.0050	-		468,275.61	-	-
07/02/2000			561,263.77	(5,623.90)	555,639.87	12	3,856,701	225,943.93	65,063,967	325,319.84	0.0050	0.0050	-		555,639.87	-	-
08/02/2000			570,945.56	(5,761.92)	565,183.64	11	3,880,121	227,382.19	66,712,614	333,563.07	0.0050	0.0050	-		565,183.64	-	-
09/02/2000			524,069.71	(5,345.60)	518,724.11	10	3,519,440	215,315.74	61,750,793	298,733.97	0.0050	0.0050	-		518,724.11	-	-
10/02/2000			489,715.16	(4,991.07)	484,724.09	9	3,289,598	201,253.86	57,692,461	288,462.30	0.0050	0.0050	-		484,724.09	-	-
11/02/2000			438,703.35	(5,741.03)	432,962.32	8	2,006,674	122,765.97	67,187,874	335,939.38	0.0050	0.0050	-		432,962.32	-	-
12/02/2000			411,224.22	(5,812.01)	405,412.21	7	1,584,853	96,957.69	62,853,305	314,266.33	0.0050	0.0050	-		405,412.21	-	-
01/02/2001			438,163.96	(6,341.17)	431,822.79	6	1,704,085	104,249.12	65,782,968	333,914.84	0.0050	0.0050	-		431,822.79	-	-
02/02/2001			495,735.30	(6,934.28)	488,801.02	5	2,059,673	125,995.38	73,947,983	359,739.92	0.0050	0.0050	-		488,801.02	-	-
03/02/2001			427,947.18	(6,141.22)	421,805.96	4	1,674,705	102,453.82	65,098,673	325,491.36	0.0050	0.0050	-		421,805.96	-	-
04/02/2001			461,249.11	(6,623.26)	454,625.85	3	1,803,682	110,468.53	70,156,511	350,782.36	0.0050	0.0050	-		454,625.85	-	-
05/02/2001			421,447.34		421,447.34	2	1,603,605	99,944.51	64,301,161	321,505.83	0.0050	0.0050	-		421,447.34	-	-
06/02/2001			396,635.38		396,635.38	1	1,379,001	84,363.90	62,452,296	312,261.48	0.0050	0.0050	-		396,635.38	-	-
	\$ 422,317.61	\$	\$ 11,092,546.17	\$ (1,006,150.27)	\$ 10,466,713.51	68,635,549.00	\$ 4,134,423.27	1,390,283,895	\$ 6,818,120.14			\$ 5,506,619.54	\$ (1,776,308.48)	\$ 9,092,403.03	\$ 1,184,501.68	\$ 10,276,908.71	

July 16, 2001

VIA E-MAIL

Mr. Marcel Henry
WorldCom
Alpharetta, Georgia

Re: TN/MCI Payment

Dear Mr. Henry:

As I am sure you are aware, the Tennessee Regulatory Authority ordered BellSouth to pay MCImetro, under the April 4, 1997 Interconnection Agreement, for ISP-bound traffic at the end office rate. BellSouth has reviewed the information MCI provided to BellSouth regarding your calculation of the \$10.2M claim and has found some significant discrepancies in MCImetro's calculation.

First, BellSouth found that MCImetro used the incorrect Percent Local Usage ("PLU") factor in calculating the amount that BellSouth owes MCI. Under Section 7.3 of Attachment V of the MCI/BellSouth Interconnection Agreement, BellSouth determines the PLU for BellSouth-originated traffic. Pursuant to Section 8.2, MCI may request an audit of the provided PLU factors. MCI does not, however, have the right to disregard the use of BellSouth's PLU for BellSouth originated traffic. As such, BellSouth has adjusted the amount paid to reflect the correct PLU. This adjustment is approximately \$3.5M.

Second, per its terms, the April 4, 1997 Interconnection Agreement expired on April 3, 2000. That Interconnection Agreement had a provision that provides that the rates, terms, and conditions agreed to in a subsequent agreement (i.e. the pending arbitration) will be retroactive back to the expiration date. Accordingly, BellSouth paid for local ISP usage at the rate of \$.004 through April 3, 2000, and, per the TRA's order in the 97-01262 docket (June 15, 2001), has applied the approved end off switching rate of \$.0008041 from April 4, 2000 to present. Because BellSouth paid reciprocal compensation for a time period that will be covered under the new agreement that was recently arbitrated at the TRA (April 4, 2000 through June 13, 2001), BellSouth reserves the right to true-up those

Mr. Marcel Henry
July 16, 2001
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amounts paid consistent with the TRA's anticipated Arbitration Order and FCC mandate. Using the correct end office rates as described above resulted in an adjustment of approximately \$2.6M.

Third, BellSouth found that MCImetro invoiced approximately 166 million minutes of use (of approximately 1.3 billion total minutes) that appear unsubstantiated. This discrepancy is the result of MCI reporting more terminating minutes than BellSouth's switches show that we originated. As such, BellSouth adjusted the amount paid to exclude these minutes. BellSouth would welcome the opportunity to discuss these minutes and the differences in our records. However, as the originating carrier, BellSouth believes that its records as to the amount of originated traffic are accurate. This difference of minutes of use resulted in an adjustment of approximately \$1M.

Fourth, MCImetro invoiced BellSouth for intraLATA access at rates of approximately \$.06 per minute of use. BellSouth could not confirm these rates at the time the payment was made. Subsequent to wiring the monies, BellSouth obtained a copy of MCImetro's tariff. Because at the time the monies were wired BellSouth did not possess the MCI tariff, BellSouth included in the already wired amount payment for the intraLATA access at BellSouth tariff rates. However, on July 16, 2001, BellSouth made an additional payment to MCImetro based on the appropriate rates in MCI's tariff. This amount is valued at approximately \$.7M.

Finally, BellSouth made several payments to MCI that were not reflected on the MCI spreadsheet. After adjusting for unrecorded payments and the adjustments discussed above, together with the resulting reduction in interest penalties for MCImetro's overstated amounts due, BellSouth wired \$2,223,231 to MCImetro last night. BellSouth made an additional payment to MCI of approximately \$700,000, as mentioned above, to account for MCI's tariffed intraLATA rates, which BellSouth would note are approximately 15 times higher than BellSouth's intraLATA rates. We stand ready to discuss the discrepancies between our switch's record of originating minutes versus MCI's claim of terminating minutes.

If you have any questions, please contact me. Additionally, you can contact Richard McIntire at (205) 724-0246 for further information.

Sincerely,

Mr. Marcel Henry
July 16, 2001
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Jerry D. Hendrix

cc: E. Earl Edenfield, BellSouth
Richard McIntire, BellSouth